

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

RENEE GALLOWAY, et al.

v.

JUSTIN MARTORELLO, et al.

Civil Action No.:
3:19 CV 314

January 4, 2024

COMPLETE TRANSCRIPT OF STATUS CONFERENCE
BEFORE THE HONORABLE ROBERT E. PAYNE
UNITED STATES DISTRICT COURT JUDGE

APPEARANCES:

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Andrew J. Guzzo, Esquire
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Bluetech Irrevocable Trust

TRACY J. STROH, RPR
OFFICIAL COURT REPORTER
UNITED STATES DISTRICT COURT

1 (The status conference commenced at 4:03 a.m.)

2 THE COURT: Hello. This is Galloway against
3 Martorello, et al, 3:19 CV 314.

4 Who's here for whom, beginning with counsel for
5 the plaintiff?

6 MR. GUZZO: Good afternoon, Your Honor. This is
7 Andrew Guzzo and Kristi Kelly for the plaintiffs.

8 THE COURT: Who's here for the defendant?

9 MR. HOLLIS: Good afternoon, Your Honor. This
10 is Jon Hollis here for Bluetech.

11 THE COURT: All right. I've got this motion to
12 extend deadlines regarding plaintiffs' motion for
13 sanctions and to compel.

14 I don't understand how or why these proceedings
15 are to be delayed in the filing of these papers. Can
16 someone explain to me what the theory is that we should
17 not proceed with the briefing on these issues?

18 MR. GUZZO: Yes, Your Honor. This is Andrew
19 Guzzo. I'll take it up. I've also been involved in the
20 bankruptcy case, including appearing before a hearing with
21 that court on December 21st. So let me just start by way
22 of background.

23 That background is on December 4th, BWH filed a
24 motion in the bankruptcy case claiming that the plaintiffs
25 had violated the automatic stay, including by the filing

1 of this motion for sanctions is their position.

2 The plaintiffs believe that motion is wholly
3 meritless as there is binding precedent that the automatic
4 stay does not apply to nondebtors. We're confident that
5 the bankruptcy court is going to apply that rule.

6 But putting aside the merits, plaintiffs
7 recognize that the bankruptcy court certainly has the
8 authority to determine what conduct does or does not
9 violate its orders. So the question here really becomes
10 one of process of whether the bankruptcy court should take
11 that up first or whether we should plow ahead here in
12 *Galloway*.

13 And here, the plaintiffs think the minimal delay
14 makes sense for a few reasons. The first is that they are
15 asking for damages against our individual clients for
16 violation of the stay. By deferring their response and a
17 short resolution of this motion, we feel like we're
18 mitigating those damages.

19 And second, we think the bankruptcy court is
20 going to be able to take this up pretty quickly.

21 So it's just from our perspective, the -- the
22 risk doesn't seem to be justified in not agreeing to let
23 the bankruptcy court, as a matter of process, take this
24 issue up first.

25 Mr. Hollis, I don't know if you have anything to

1 add, but that's the plaintiffs' perspective, Your Honor.

2 MR. HOLLIS: Your Honor, I guess the only thing
3 that I would add is that I've looked at the transcript of
4 the hearing in the bankruptcy court where Mr. Guzzo
5 appeared. My understanding of the -- essentially the
6 agreement that was worked out on the record during that
7 hearing is that plaintiffs would -- would jointly seek an
8 extension of time, which they have done, with respect to
9 the opposition on their sanctions motion, ending the
10 resolution of the motion pending in the bankruptcy court.

11 So we're really just seeking to effectuate what
12 was agreed on the record in that proceeding.

13 MR. GUZZO: And, Judge, this is Andrew Guzzo.
14 One more thing to add to that.

15 Just so the Court has it, by way of background,
16 is that BWH filed an emergency motion before the
17 bankruptcy court to fast-track its resolution of the
18 motion for violation of the automatic stay, including
19 trying to get a hearing over the holidays.

20 And so one of the resolutions presented to the
21 Court so that the parties didn't have to appear in Dallas
22 and take up this hearing was that, you know, we were happy
23 to accommodate what we perceived would be a short delay
24 here in *Galloway* as to a resolution of this motion.

25 THE COURT: Well, let me say this. I've studied

1 considerably the questions about BWH and the various and
2 sundry matters that have been asserted in the cases here,
3 *Williams* and *Galloway*, by Mr. Martorello and his related
4 companies, and I have some difficulty understanding
5 whether there is any legitimacy at all to the BWH
6 bankruptcy, much less whether or not there is any
7 legitimacy to *Galloway*, that in the *Galloway* case
8 nonparties should have any benefit of any stay that exists
9 there at all based on what I have been able to read.

10 Previously, there has been efforts to exploit
11 the bankruptcy process in this case by a bankruptcy that
12 was dismissed as a frivolous one, and I will trust that
13 the bankruptcy court will see through these continued
14 efforts to delay these proceedings by any means whatsoever
15 and rule on them. And I, therefore, will grant this
16 motion, but I will not grant it as asked.

17 If the bankruptcy court has not resolved this
18 matter, then this Court has the right to protect its own
19 jurisdiction as matters that don't apply to the debtor,
20 and if somebody wants to fight about it, they can fight
21 about it. There are limits that can be tolerated, and
22 Martorello, his related entities and people are tacking so
23 close to the wind that they are close to obstructing
24 justice here, and I don't intend to see it go forward or
25 be allowed here.

1 I'll give the bankruptcy court an opportunity to
2 make its decision. You tell me they are going to do it by
3 late January or early February.

4 You are to file a report with me by February 15
5 as to what's been done and what the progress of things is
6 if we don't have a decision on this issue at that time,
7 and then I will decide thereafter the extent to which
8 further briefing will be pursued on these questions.

9 Mr. Hollis, my suggestion is that you read quite
10 carefully the relationships here in the law and be mindful
11 of your obligation not only to be an advocate but an
12 officer of the Court in all filings that appear here. I'm
13 quite troubled by what I am seeing that's going on across
14 the board here. But it isn't all in this case and it
15 isn't all in this particular motion.

16 So I will issue an order granting it
17 temporarily, and that will be done. So you don't have to
18 file anything right now.

19 Is there anything else that you all need to take
20 up?

21 MR. GUZZO: Your Honor, this is Andrew Guzzo.
22 From the plaintiffs' perspective, that's it, Your Honor.
23 We appreciate your comments. The plaintiffs completely
24 agree with you, but we just want to give this process its
25 time to play out. So thank you very much, Your Honor, for

1 your attention to this.

2 MR. HOLLIS: Nothing further from the defendant,
3 Your Honor.

4 THE COURT: All right. Thank you very much.
5 Good-bye.

6 (The status conference concluded at 4:12 p.m.)

7 REPORTER'S CERTIFICATE

8 I, Tracy J. Stroh, OCR, RPR, Notary Public in and for
9 the Commonwealth of Virginia at large, and whose
10 commission expires September 30, 2027, Notary Registration
11 Number 7108255, do hereby certify that the pages contained
12 herein accurately reflect the stenographic notes taken by
13 me, to the best of my ability, in the above-styled action.

14 Given under my hand this 7th day of January 2024.

15
16 /s/
Tracy J. Stroh, RPR